

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 EB-11 COME-00 XMB-07 AID-20 IGA-02

CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00 SCEM-02 INT-08

FPC-01 TRSE-00 RSR-01 (ADP) W

----- 094971

R 172145 Z APR 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 3777

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PLEASE PASS COMMERCE AND EXIMBANK

E. O. 11652: NA

TAGS/ ENRG, BPRO, ETRD, CS

SUBJECT: ELECTRICITY CRISIS: TURBINE PROCUREMENT

REF: A. SAN JOSE 1335; B. STATE 069865

C. STATE 065408

1. THIS CABLE SHOULD BE READ IN CONJUNCTION WITH SUMMARY CONTAINED REFERENCE A. IT REPLIES TO QUESTIONS POSED IN REFERENCES B AND C.

2. ICE GENERATOR NEEDS. COMMERCIAL ATTACHE HAS DISCUSSED ICE NEEDS WITH BOTH ICE OFFICIALS AND ADDABO OF TOOMBLEY. ICE STILL VERY MUCH INTERESTED IN PRATT WHITNEY (PW) GENERATORS BUT ONCE AGAIN THINKING IN TERMS OF PURCHASE RATHER THAN RENTAL. THIS IS BECAUSE AEP APPARENTLY NOT INTERESTED IN RENTING FOR LESS THAN 4 YEARS. AT OUR SUGGESTION ICE CALLED MURRAY GRANGER, CAPITAL EQUIPMENT SALES CORPORATION, ON APRIL 13 (KROEGER OF AEP ADVISED US THAT GRANGER IS AEP' S AGENT FOR THE PW GENERATORS). GRANGER PROMISED TO TRANSMIT TECHNICAL DATA AND A FIRM SALES OFFER FOR THREE GENERATORS. ICE STAFF PREPARING A MEMORANDUM JUSTIFYING PURCHASE FOR CONSIDERATION BY ICE BOARD APRIL 299 ICE
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TECHNICIANS NO LONGER SEE PW GENERATORS AS EMERGENCY MEASURE BUT BELIEVE THEY COULD BE PUT INTO OPERATION WITHIN THREE MONTHS AND THAT THIS WOULD BE DESIRABLE TO PROVIDE STANDBY POWER IN CASE OF BREAKDOWN OR FOR PEAK LOAD PERIODS.

3. WE UNDERSTAND TECHNICAL DIFFICULTIES REFERRED TO IN PARAGRAPH 2 OF REF B CAN BE SURMOUNTED. GRANGER REPORTEDLY ABLE TO SUPPLY TRANSFORMERS, APD SINCE ICE NOW THINKING IN TERMS OF LONGER INSTALLATION TIME, DIESEL SUPPLY AND STORAGE PROBLEMS CAN BE SOLVED. IF ICE BOARD APPROVES PURCHASE, LETTER OF INTENT TO PURCHASE WOULD BE ISSUED IN ORDER TO BEGIN 30 DAY PUBLIC NOTIFICATION PERIOD REQUIRED BY FPC. WE WILL ENCOURAGE ICE TO MAKE DIRECT APPROACH EXIMBANK FOR PRELIMINARY COMMITMENT IF ICE BOARD DECISION SO WARRANTS.

4. WITH EASING OF CRISIS STAGE THERE IS SOME QUESTION AS TO WHETHER THESE PW UNITS ARE BEST SUITED FOR ICE' S LONGER TERM NEEDS. HOWEVER, WE UNDERSTAND THERE IS STILL STRONG TECHNICAL JUSTIFICATION FOR THEM AND BELIEVE THIS UNIT MAY WELL PROVE SUITED TO CACM AREA WHERE THEY HAVE NOT YET BEEN INTRODUCED. ON THE OTHER HAND, ADDABO OF TOOMBLEY WHO FIRST STRONGLY SUPPORTED ACQUISITION OF PW GENERATORS, NOW SUGGEST PURCHASE OF CONVENTIONAL, HEAVY DUTY WESTINGHOUSE OR GE UNITS MIGHT BE BETTER. SUCH UNITS, HOWEVER, PROBABLY COULD NOT BE INSTALLED BEFORE DECEMBER AND ICE WOULD NOT HAVE STANDBY CAPACITY AS EARLY AS IT WOULD LIKE. NEVERTHELESS, THESE UNITS WOULD BE MORE COMPATIBLE WITH ICE' S PRESENT THERMAL UNITS BECAUSE OF SPARE PART INTERCHANGEABILITY. ADDABO TOLD US ICE HAS BEEN NEGOTIATING WITH AEG FOR PURCHASE OF TWO MORE OF THEIR UNITS BUT THAT AEG CAN PROMISE TO INSTALL ONLY ONE BY DECEMBER. (ADDABO SEEMS TO PREFER GE OR GE LICENSSEE HITACHI UNITS.)

5. POINT WE SHOULD BEAR IN MIND IS THAT WITH EASING OF IMMEDIATE CRISIS, COMMERCIAL ASPECT OF GOPERATOR PROCUREMENT COMES TO FORE. WE WOULD HOPE SALE OF 100 PERCENT U. S. EQUIPMENT CAN BE MADE.

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6. TOOMBLEY PROBLEM WITH ICE. RE INQUIRY IN
REF C ADDABO TOLD US ICE IS STILL UNHAPPY ABOUT
LAG IN INSTALLING THE FIRST UNIT AND CONTINUES TO THREATEN
IMPOSITION OF AT LEAST TOKEN PENALTIES. HE BELIEVES,
HOWEVER, THAT ICE ATTITUDE MAY SOFTEN SOMEWHAT WITH
GOOD PERFORMANCE BY TOOMBLEY ON SECOND TURBINE.
HE GAVE IMPRESSION COMPANY MIGHT ACCEPT PENALTIES
WITHOUT UNDUE PROTEST IF NOT TOO HEAVY. WE HAVE HEARD
NO RECENT EXPRESSION OF DISSATISFACTION FROM ICE
OFFICIALS.

6. PRIVATE SECTOR NEEDS. RE QUESTION POSED
REF B, TYPE OF GENERATORS MOST IN DEMAND BY
PRIVATE BUSINESSES ARE 60 CYCLE, 110/200 VOLTS 3 PHSE UNITS.
ALLIS CHALMERS DEALER, TRANCTOMOTRIZ, HAS SOLD 27
UNITS, 8 OF WHICH WERE LARGE, 250 KW PLANTS WITH THE
REST SMALLER (TOTAL SALES OF ABOUT \$400,000). WE CAN
ACCOUNT FOR SALES OF ABOUT 38 GENERATORS WITH A TOTAL
CAPACITY OF APPROXIMATELY 6 MEGAWATTS. THIS, HOWEVER,
IS A MINIMUM ESTIMATE TAKING INTO ACCOUNT THE SALES
OF ONLY TWO OF THE THREE MAJOR IMPORTERS.
VAKY

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